

HOW THEY CLOSED

TSE	9581.82	+33.19
CDNX	2925.99	+17.33
DOW	10,725.80	+12.89
NASDAQ	3015.10	+97.67
GOLD (NY)	\$270.20	-\$2.00
DOLLAR	65.56	-0.34
PRIME RATE	7.50	UNCH

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Almost giving it away

\$265-million Molson Centre to fetch \$50 million, analysts suggest

JAN RAVENBERGEN
The Gazette

Molson Inc. will almost have to give away the money-losing Molson Centre — which it built in the mid-1990s for \$265 million — to pocket a market price for the legendary Montreal Canadiens hockey club, two financial analysts said yesterday.

Molson can expect to attract a maximum \$225 million for the franchise-area combination, on the sales block since late June, said David Hartley of First Associates Investments Inc. of Toronto.

A realistic market value for the Habs hockey franchise alone is "between \$150 million and \$175 million," he added.

However, the Molson Centre doesn't attract enough public events or fill enough seats to turn a profit, and it will fetch something like \$50 million, Hartley said.

William Chisholm, analyst at Dundas Securities, said the hockey team might pull in as much as \$200 million — \$20 million above Hartley's upper estimate.

But Chisholm agreed with Hartley that the poorly performing arena will probably generate only \$50 million for Molson. That brings his top-end price estimate for the team-arena package to \$250 million.

Jitec's mystery signer is revealed

Powernet USA inked letter of intent valued at \$40 million with Nuns' Island firm

DOH MACDONALD
The Gazette

The mystery U.S. telecommunications consortium that signed a letter of intent with Jitec Inc. valued at \$40 million is called Powernet USA Ltd.

The Gazette has obtained a copy of the Sept. 15 letter signed on behalf of Powernet USA by Montreal lawyer Charles Gelber and on Jitec's behalf by Benoit Laliberté, then chief executive of the troubled Nuns' Island high-tech company.



On the block: Molson will get a maximum \$225 million for both the Habs and the Centre, one analyst says.

Molson repeated that it expects the buyer to be named before the end of the month. Meanwhile, "we will not discuss any speculation over potential buyers, valuations or anything having to do with the negotiation process," said vice-president corporate affairs John Paul Macdonald.

At this point, the rumour mill has

settled on BCE Inc. of Montreal as the buyer.

"We don't comment on rumours," said BCE official Jean-Charles Robitaille.

BCE has been on a multimedia buying binge this year. Adding the Habs would provide it sports-broadcasting content for its recently acquired CTV

Inc. and TSN broadcasting arms.

Regardless of the buyer's identity, available numbers show the Molson Centre is a financial albatross for the brewing company.

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Selling the Canadiens, Page D17

BioChem to merge with Shire

\$5.9-billion deal

SHEILA MCGOVERN
The Gazette

BioChem Pharma of Laval, the darling of Canada's biotechnology industry, said yesterday it is merging with Shire Pharmaceuticals Group of Britain in a deal valued at \$5.9 billion.

Looking a bit blue-eyed, Francesco Bellini, the driving force behind BioChem, said he and Rafi Shihel, chief executive of Shire, had been up all night and believe they have a deal that will turn their two companies into a global leader in specialty pharmaceuticals.

Though billed as a merger, the deal in essence amounts to a takeover, with Shire exchanging its shares for BioChem's at a healthy rate of \$54.40 (\$87 U.S.) per share, well above the \$40 BioChem closed at Friday on the Toronto Stock Exchange.

At that price, Shire is paying \$5.9 billion for BioChem, or \$4 billion U.S., a premium of 51 per cent over BioChem's average closing price the last 10 days.

The deal must be approved by shareholders of both companies and is scheduled to close in the second quarter of 2001.

If it flies, Shire will end up with 51 to 53 per cent of the new company, to be known as Shire BioChem Pharma in Canada and Shire Pharmaceuticals everywhere else. Shire will be in control, managing the company from its headquarters in Andover, southwest of London.

Bellini will not be directly involved in running the new company — by choice, he said. He and two other BioChem representatives will sit on Shire's board of directors.

Bellini said most BioChem employees will not be affected by the merger. Both companies are expected to carry on doing what they do and to keep growing, he said.

BioChem has about 500 employees — mostly in Quebec — and Shire about 1,000.

BioChem began as a small research company in 1972 and was catapulted into the international spotlight in the mid-1990s when its discovery, 3TC, proved to be an effective treatment of HIV, the virus linked to AIDS. Sales tallied \$873 million in 1999.

It has also developed a sister drug capable of treating hepatitis B, which has been approved in some, but not all, of its target countries. Sales during the first nine months of this year reached \$73.1 million, not as much as many industry analysts had hoped.

Please see **BIOCHEM**, Page D3

Don't bet megacity will benefit Montrealers

Dear Mayor Bourque, I hope you weren't offended that I didn't show up at your pro-merger petition event at city hall on Sunday. Although I'm a longtime Montreal homeowner, I must confess that I'm just not interested in forcing more pailly shoes into your badly capitulated, financially leaky municipalities.

Hasten to confess that this is not a case of altruism.

If I truly believed that we could indefinitely loot the treasures of better-run suburbs to keep patching up the holes in Montreal's municipal services, supporting our sluggish blue-collar union and financing our child-like mayor's quest for grandiose projects and international travel, I would be sorely tempted to sign on. Misery loves company.

But, sadly even this thin, morally corrupt rationale fails to withstand examination. The fact is that there is no logic behind a megacity because there is no payoff for its residents, not even those who now live in Montreal.

Indeed, in my humble opinion as a



JAY BRYAN

longtime Montrealer: I will be worse off several years from now, with higher taxes and poorer services, under a forcibly merged province than under the present imperfect arrangement.

How can this be, you ask. Didn't Habs fix merge into one big city? Didn't Toronto? Aren't big organizations more efficient to operate, providing valuable savings for local taxpayers?

Yes indeed, Halifax and Toronto did amalgamate. Mr. Mayor, and this is just the latest evidence that big organizations are neither more efficient nor cheaper to run. None of the savings promised in Halifax and Toronto has materialized and none is likely to.

Indeed, a comprehensive examination of municipal mergers in North America by University of Western Ontario historian Andrew Sanction strongly suggests that few, if any, municipal amalgamations have offered significant benefits for residents (or anyone else).

Just like the Habs' government's ill-advised megacity project in Toronto, massive amalgamations tend to be costly, undemocratic exercises in egoism by promoters who yearn to impose a simple solution on a messy set of urban problems.

It's hard to measure the cost of this simple-mindedness for city residents, but it is high. In addition to the unforeseen financial costs of transition, there are often major inefficiencies in artificially creating a larger organization.

The cost of mergers in the corporate world, which can be accurately quantified, gives some hint of how the balance between savings and inefficiencies play out in large organizations. An oft-cited study by business consultants

KPMG found that among 700 major corporate mergers carried out in the late 1990s, more than half destroyed shareholder value instead of increasing it. Fewer than one of five created new value for shareholders.

Admittedly, municipalities aren't corporations and their residents aren't shareholders, but the same struggle between the best interests of stakeholders and the massive ego of a few powerful people at the top of the hierarchy drive both kinds of merger.

Mayor Bourque gets to play in a bigger sandbox and Premier Bouchard gets to silence a pesky group of suburban mayors, too many of whom are admitted federalists.

Indeed, the economics of municipal mergers are likely to be far worse than those of corporate ones because municipalities, unlike corporations, are monopolies. If they do a bad job of providing services, there is nowhere else to turn.

That, helped along by its political alliance with the Parti Québécois government, is why Montreal's notorious-

ly work-averse, overpaid blue-collar workers' union has never been out down to size by the city administration. The Bourque administration, to its credit, made an effort to make the union's ability to make city residents suffer and, ultimately, by the Bouchard government's political alliance with union leadership.

Now imagine this same politically protected, quasi-criminal organization spreading its tentacles across the entire island of Montreal. It would mean just two things: higher taxes and lousier municipal services. Get ready suburbanites, for disappearing road maintenance, big piles of uncollected snow and unloved municipal parks where the swimming pools open late in the season and close early.

And that's my entirely selfish reason for not signing your petition, Mr. Mayor. Without the suburbs to provide an example of decent administration and a little competition for new residents, Montreal will sink even deeper into the quagmire that is mostly nobody's fault but its own.

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